PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2005

Provincial Auditor Saskatchewan

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105-07368/

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Pastures Revolving Fund as at March 31, 2005 and the statements of operations and accumulated operating surplus (deficit) and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 28, 2005

Fred Wendel, CMA, CA
Provincial Auditor

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2005	2004
Financing required for (provided by) operating activities:		
Net income	$ (1,055,686)	$ (294,756)
Items not affecting cash:		
Amortization	(354,859)	(334,046)
Bad debt recovery (expense)	6,727	(25,738)
Gain (loss) on disposal of property, plant and equipment	111,461	(4,386)
Net change in working capital items related to operations (Note 10)	123,213	32,152
	(1,169,144)	(626,774)
Financing required for (provided by) investing activities:		
Purchase of property, plant and equipment	766,114	337,100
Proceeds from sale of property, plant and equipment	(208,339)	(4,658)
	557,775	332,442
Net (decrease) in financing requirements	(611,369)	(294,332)
Accumulated net expenditure, beginning of year	2,717,289	3,011,621
Accumulated net expenditure, end of year – to Statement 1	$ 2,105,920	$ 2,717,289

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2005

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act*. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10. The following policies are considered significant.

a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and
ii) the book value of assets acquired (disposed of) at no charge from (to) another government agency.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus (deficit). Amortization of all property, plant and equipment is charged to operations using the straight-line method at the following rates:

Fencing and corrals	10%
Water sites	5%
Buildings	5%
Equipment and Vehicles	10%
Office equipment	25%
Land improvements	10%

Property, plant and equipment that are acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

e) Unearned Revenue

Unearned revenue consists of petroleum and gas lease revenue and grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

3. Authorized Financing

Subsection 16(11) of *The Department of Agriculture, Food and Rural Revitalization Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus (deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus (deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

5. Property, Plant and Equipment

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Fencing and corrals	$ 911,146	$ 574,245	$ 336,901	$ 327,049
Water sites	1,295,675	278,000	1,017,675	863,676
Equipment and Vehicles	1,942,604	1,024,237	918,367	860,203
Buildings	429,293	133,388	295,905	207,337
Office equipment	51,557	47,637	3,920	15,294
Land	19,000	---	19,000	---
Land improvements	38,310	24,902	13,408	17,240
Total	$ 4,687,585	$ 2,082,409	$ 2,605,176	$ 2,290,799

6. Budget

Treasury Board approves the Revolving Fund's budget annually. The budget amounts presented in these financial statements are based on the budget approved by Treasury Board.

7. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2005	2004
Financial statement category:		
Expenses	$354,288	$294,264
Purchase of capital assets	140,519	81,327
Accounts payable and accrued liabilities	134,575	10,811

The Revolving Fund has received use of certain office space, use of Crown land and certain administration services from the Department without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Department of

Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Reported in Public Accounts

The net recovery (expenditure) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	2005	2004
Net income	$ 1,055,686	$ 294,756
(Increase) decrease in inventory balance recorded by the Revolving Fund	(44,263)	110,089
(Increase) decrease in net property, plant and equipment recorded by the Revolving Fund	(315,471)	5,990
General Revenue Fund balance understated	---	(743,427)
Timing differences in recording revenue/expenses	(387,683)	(66,755)
Net recovery (expenditure) reported in the Public Accounts	$ 308,269	$ (399,347)

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $632,360 at March 31, 2005 with an allowance for doubtful accounts of $26,395. Some of the receivables were received shortly after year end reducing the credit risk.

c) Receivables/Payables

These financial instruments are non-interest bearing and are due or payable within one year. Due to this short-term maturity, the carrying value of these financial instruments approximates their fair value.

d) Accumulated Net Expenditure

The fair value of accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Net Change in Working Capital Items Related to Operations

	2005	2004
Working capital changes:		
Increase in accounts receivable	$ 209,027	$ 168,460
Increase (decrease) in inventory	44,263	(110,089)
(Increase) in accounts payable	(106,425)	(8,494)
(Increase) in unearned revenue	(23,652)	(17,725)
	$ 123,213	$ 32,152

11. Comparative Figures

Certain 2004 comparative figures have been reclassified to conform to the 2005 presentation.